



Introduction to Budgeting and Municipal Finance for Indiana Law Enforcement Managers

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April 1, 2014**



Overview

- Budgeting Basics
- Fund Structure (or Fund Types)
- Budget Structure (Accounting Structure)
- Budget Process
- Budget Presentations
- Budget Issues and Trends



Overview

- Controls and Limits
- Local Officials Roles in Process



Budgeting Basics

Definition of “Budget”

- A budget is a financial plan that includes both revenues and expenditures for a specified period of time. It’s a legally binding financial plan.

Purpose of Budgeting

- A budget allocates financial resources within the government to fund the operating and capital plans. The budget should be a communications device for officials to openly discuss the priorities with the public.



Budgeting Basics

Definition of Appropriation:

- The legal authority from a fiscal body to spend or enter into obligations. That authority is within certain controls, such as the amount within a fund, the amount by a department, and a limited amount within a certain type of expense.



Budgeting Basics

Definition of “Net Assessed Value”

- The “net” total taxable property value in a jurisdiction. This is the total value of all property less any exempt property minus any deductions such as a homeowners deduction. Assessed value is the “tax base” of a geographic area.
- Gross assessed value minus deductions equals “net assessed value.”



Basics of Budgeting

Property Tax Rate – A ratio between the net assessed value and the tax levy. The tax rate multiplied times the assessed value (per \$100) results in the amount of taxes the unit will charge (levy).

$$\text{Levy} = \text{Tax Rate} \times \frac{(\text{Net Assessed Value})}{\$100}$$



Basics of Budgeting

Property Tax Levy –

1. The amount of tax a government charges property owners or,
2. The amount of tax revenue generated for government from taxable property.

$$\text{Levy} = \text{Tax Rate} \times \frac{(\text{Net Assessed Value})}{\$100}$$



Basics of Budgeting

- Maximum Property Tax Levy or “Max Levy”:
 - Property tax levies to local governments are allowed to increase no more than the 6 year average increase in non-farm personal income. This increase is usually between 2% and 4%.



Basics of Budgeting

- Budget Controls
 - State level of control is by fund and total for tax supported funds.
 - Control at the local level is set by ordinance or resolution and is established at the fund, department, and major classification.
- Penalties – IC 6-1.1-18-10
 - If the proper officer makes an excessive appropriation they are guilty of malfeasance in office and liable for 125% of the amount.



Forms of Budgeting

- Line Item
- Zero Based Budgeting
- Budgeting by Objectives
- Performance Based Budgeting



Funds

- A fund is a separate account of revenues and expense.
 - Intent is to separate dedicated fees and charges and use only for intended purpose.
- Types of Funds
 - General Fund
 - Includes all operating costs and revenues not required to be included in another fund.
 - This fund is for the general provision of government services and not designated for specific purposes.
 - Funds most activities of the government.



Funds

- Special Revenue Funds
 - Used to account for revenues reserved or designated for specific purposes
 - User Fee Funds
 - Accident Report, Gun Permit, and Law Enforcement Training
 - State (Law Enforcement) Equitable Share
 - Federal (Law Enforcement) Equitable Share
 - Deferral Fee Fund
 - Motor Vehicle Highway
 - Cities and towns with population 5,000 or less may use 15% for law enforcement; All other cities and towns may use 10%.
 - Drug Free Community
 - Grants



Funds

- Capital Funds
 - Primarily used for acquisition or construction of fixed assets or equipment including fleet.
 - Construction Fund from bond proceeds.
 - Cumulative Capital Funds can be used to accumulate cash for future planned expense. Also may be used to purchase equipment, vehicles, land, and buildings.
- Debt Service Funds
 - Used to make principal and interest payments
 - Usually supported by property tax or income tax



Cumulative Funds

- Established to collect tax and accumulate balances for future capital purchases or projects.
- Purpose of fund is established by the ordinance that creates the fund. For ex: Fleet Replacement.
- Units may have multiple cumulative funds
- Cumulative funds are “rate controlled” but
 - Amount of property tax levy allowed outside of maximum controls is limited.
- Budget, levy, and rate must be adopted with annual budget.



Cumulative Funds

- Types of cumulative funds for cities and towns:
 - Cumulative Capital Development (CCD)
 - Outside max levy and max rate is 0.05.
 - Cumulative Capital Improvement (CCI)
 - Maximum rate is 0.3300 but inside max levy.
 - Cumulative Fire
 - Cumulative Building



Establishing Cumulative Funds

- Ordinance to establish the fund must be approved by the fiscal body.
- Requires a public hearing with a 10 day notice to the public.
- Must be approved by the DLGF.
- Memo on DLGF website describing the requirements.
- Cumulative Funds must be re-established to increase the rate.
- Rate may be inside the maximum levy controls.



Public Safety LOIT

- County wide Local Option Income Tax for Public Safety
- Must have a LOIT for Property Tax Credits or Levy Freeze in order to adopt Public Safety LOIT
- Maximum income tax rate is 0.25%
- Only available for cities, towns, county, and fire departments (including townships) and only for public safety activities. (Includes criminal justice)
- Budgeted as separate fund



Budget Structure

- Budget and accounting is organized in a structure by department, fund, and major classification (object or character)
- Example:
 - Agency Police Dept
 - Fund General
 - Major Class Personal Services
 - Supplies
 - Other Services and Obligations
 - Capital



Budget Structure

- Budgets are structured to provide legal controls and accountability.
 - Designed so money is used by and for what it was intended.
 - Provide information to the public.
 - Guide and control operations (plan).
 - Provides units with the ability to amend original budget to adjust for changing priorities and emergencies.



Budget Revisions

- Officials can amend budgets by adopting ordinances or resolutions that transfer appropriations from one classification to another. (For example: transfer budget dollars from supplies to capital.)
- Very few provisions in Indiana Code allow for the transfer cash from one fund to another.



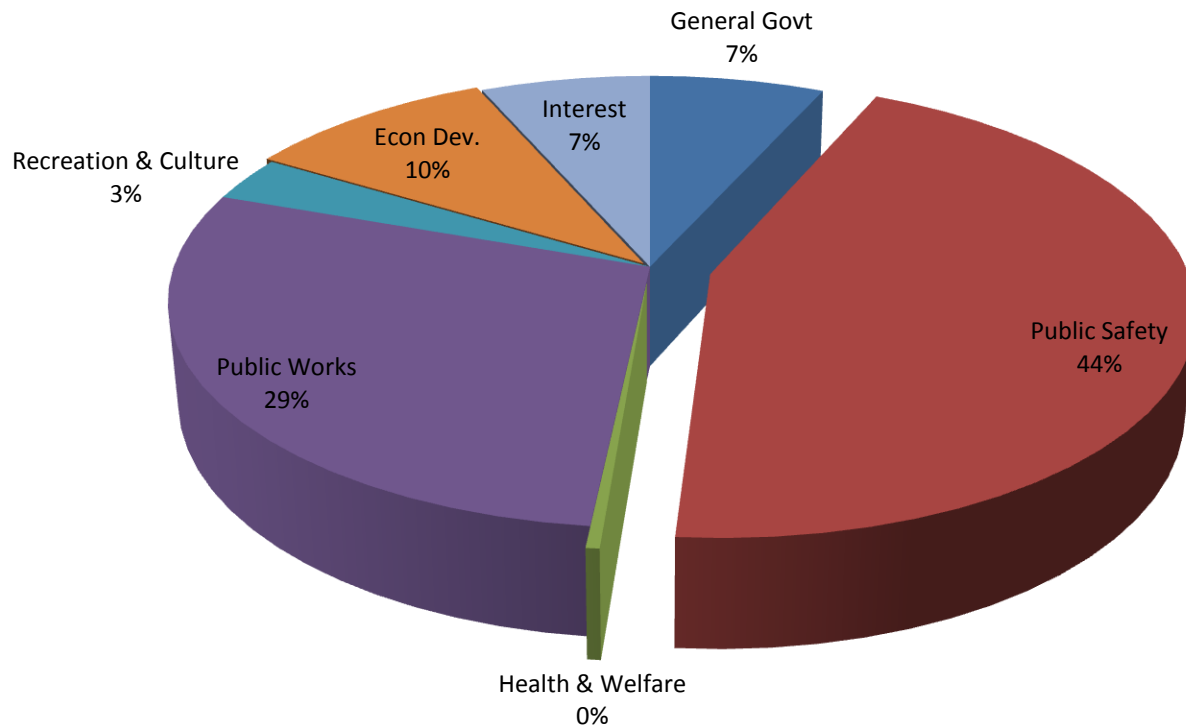
Budget Amendments

- Budgets can also be amended to appropriate additional resources.
 - Limited to available funding.
 - Additional appropriations from tax supported funds also require DLGF approval.
 - Requires a public notice and hearing.
- Occasionally, budgets need to be reduced to reflect reduced amounts of resources.
 - For instance, a town may only receive 90% of the property tax they anticipated.



Where The Dollars Go

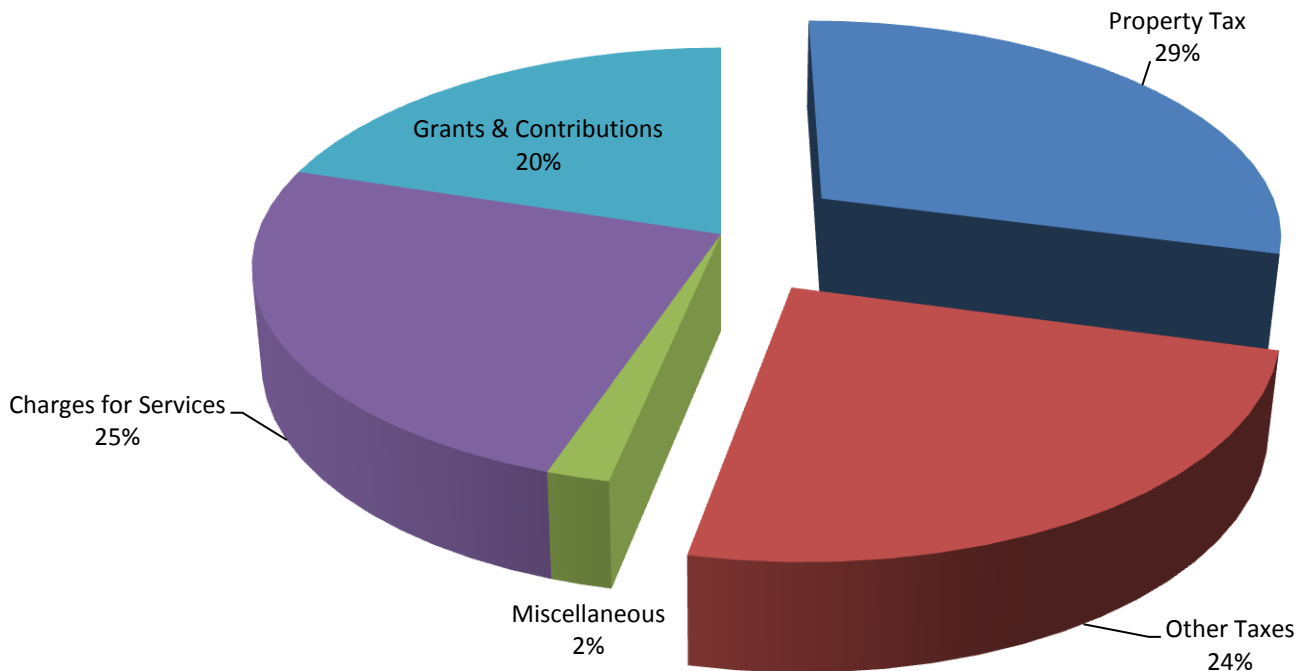
Indianapolis 2012 Budget





Where The Dollars Come From

2012 Indianapolis Revenues





Fiscal Limits

- Budgets are limited to the amount of available fund balances.
 - Fund balance = cash minus obligations
- Property tax levies are “controlled” and can only grow by a 2% to 5% average per year with few exceptions.
- Property tax bills are limited by circuit breaker credits (or tax “caps”) which are 1% for homesteads, 2% for non-homestead residential, and 3% for industrial and commercial – Impact will vary.



Fiscal Limits

- Property tax increases are controlled, or limited by the state statute.
- Controls are also known as “frozen levy”.
- Levy is not frozen, but increases are limited to the maximum amount allowed in the previous year plus a growth quotient – AVGQ (usually 2%-5%).
- There are exceptions to the controls such as debt service payments (bonds) and leases.
- Those exceptions could be substantial and eventually led to circuit breakers or tax caps.



Property Tax

- National polls show that property tax is the 2nd most hated tax – 2nd only to federal income tax.
- Property tax is “regressive”
 - That is it has no regard for income levels and is more harmful to lower incomes.
- Property owner has very little control over the amount of the tax or where it goes.
- Not paying the tax will result in the loss of the property to the county.



Property Tax

- Amount of property tax is based on the assessed value of property and the tax rate charged:

$$\text{Tax Levy} = \text{Tax Rate} \times (\text{AV}/100)$$



Property Tax Rates

- Property Tax rates are charged by numerous local governments*:

• County	0.6650
• City	0.7700
• Township	0.1400
• School	1.5400
• Libraries	0.1400
• Other	<u>0.2450</u>
• Total	3.5000
- * Rates vary depending upon the location of the property.



Property Tax Bills

Example:

- Gross Assessed Value \$150,000
- Less Homestead Deduction 45,000
- Less Supplemental Homestead (35%) 36,750
- Less Mortgage Deduction 3,000
- Net Assessed Value \$ 65,250

- Tax Rate (per \$100) 3.5000
- Taxes \$ 2,284

- Circuit Breaker Calculation (Gross AV times 1%) \$ 1,500
- Circuit Breaker Credit = (\$2,284 - \$1,500 =) \$ (784)

- Taxpayer saves \$784 per year due to Circuit Breaker



Circuit Breakers

- Important Points Regarding Circuit Breakers:
 - Circuit Breakers are protections for property taxpayers.
 - Overwhelmingly approved by voters.
 - Governments that experience Circuit Breaker Credits will have reduced property tax collections.
 - Reductions are allocated proportionately to all funds that levy property taxes.
 - Tax revenues reduced by Circuit Breaker Credits cannot be recovered by other property taxes.
 - Tax increases approved by voter referendum are exempt from Circuit Breaker calculation.



Property Tax Reform

- Beginning with 2009 budgets, rates, and levies, the state assumed the cost of several services that traditionally had been paid by property tax:
 - Family & Children Services (Welfare),
 - School Operating Funds,
 - Pre-School Special Education,
 - Pre-1977 Police & Fire Pension costs,
 - Cost to counties for housing juveniles in state facilities,
 - State Fair & State Forestry, and
 - State added a new homestead deduction of 35% of residual AV but repealed HSRC and PTRC.



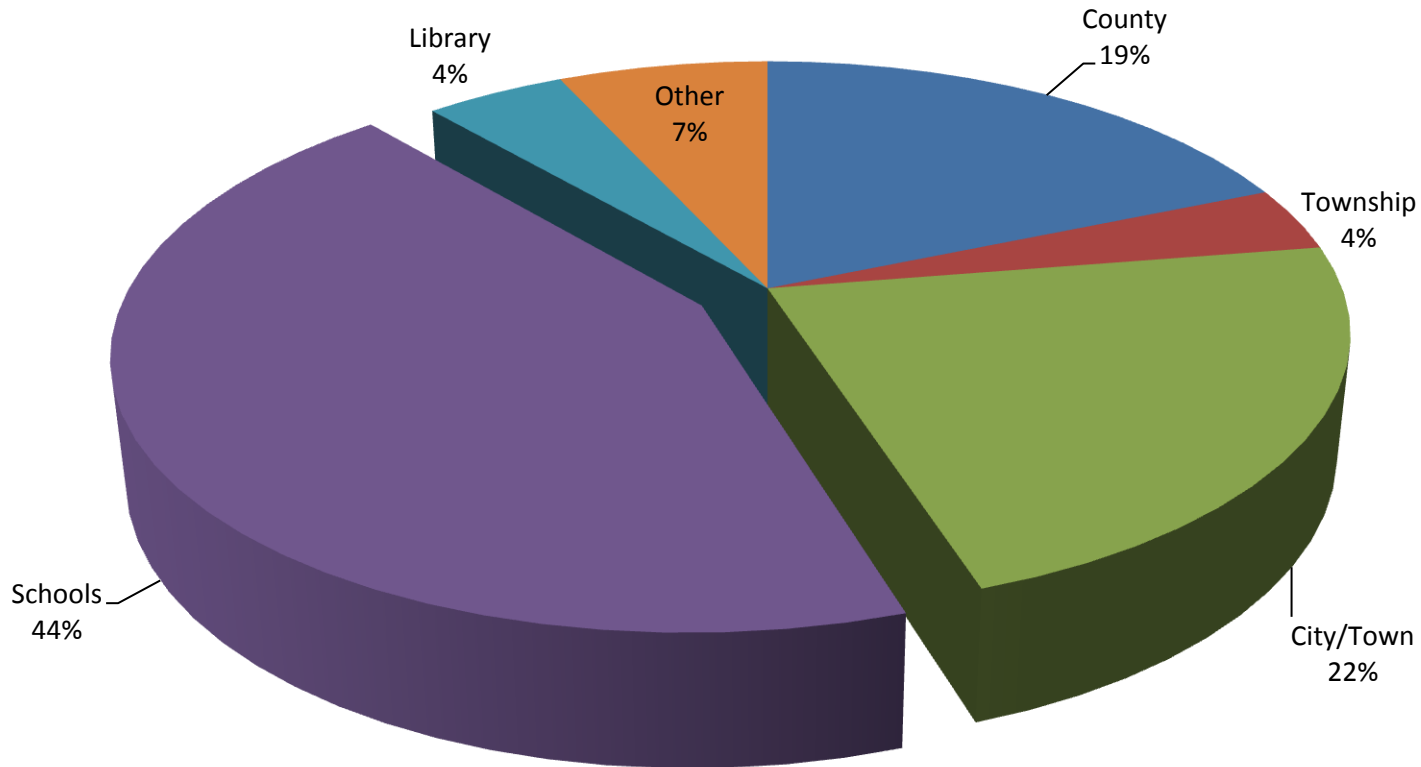
Impact of Property Tax Reform

- Transferring those costs to the state moved a large portion of the property tax burden to the sales tax.
- Property tax levies to pay for those services were “volatile”.
- Transfer resulted in approximately 30% reduction in property tax levy state-wide.
- Reduced property tax burden means circuit breakers only affect around 1/3 of property taxpayers – mostly in larger urban areas.



Where Property Taxes Go

(Based on 2010 Property Tax Rates After Tax Reform)



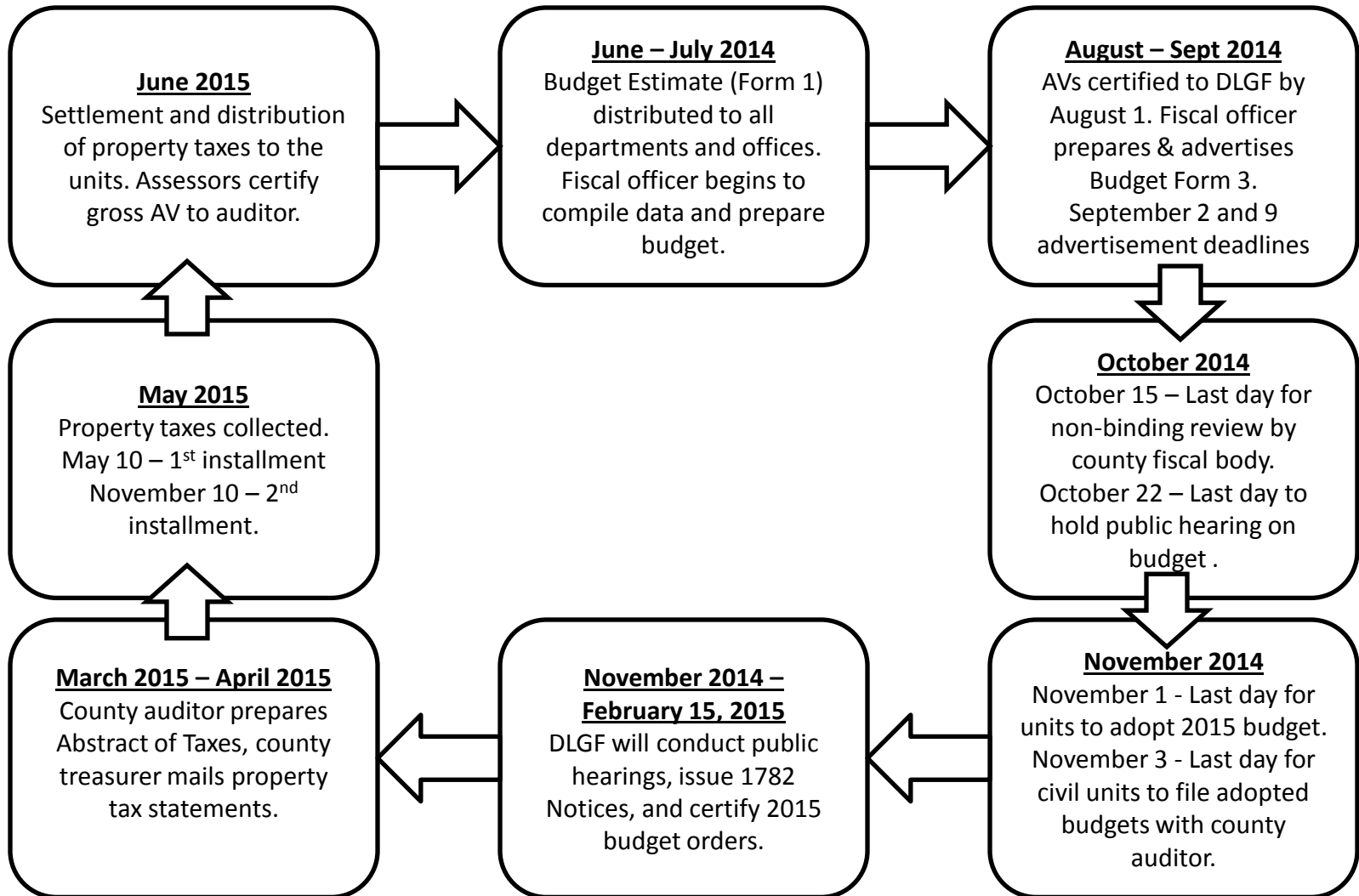


Budget Process

- DLGF issues budget forms and instructions in late spring.
- Local officials guide their budget development process by issuing guidelines and then having budgets submitted by departments.
- Budget is presented to fiscal body (council).
- Fiscal body adopts budget by Nov. 1.
- Adopted budget submitted to DLGF for review and certification of tax rates.
- Budget covers 18 month cycle.



Budget Process Overview





Preparing Your Budget (TIPS)

- Always count the number of pay periods in the coming year.
- Budget for full staffing levels unless otherwise directed.
- Assume a slightly higher percent of employees subscribing to family health insurance plans.
- Work with your fiscal officer to develop budget guidelines to follow while developing the budget.
- Be conservative when estimating revenues.



Preparing Your Budget

- Budget covers 18 months so you can reduce spending this year to supplement next years budget.
- Review contractual obligation for benefits.
- Compare Y-T-D spending levels to budget.
- Look for areas of under spending and over spending – if necessary force under spending.
- Under spending can be reallocated to other areas.
- Reallocation may require an ordinance or resolution.



Budget Presentation

- Ideal budget presentation will satisfy criteria as:
 - Financial Plan (Status and projected)
 - Details of budgeted expense and revenues.
 - Communications Device
 - The best presentations include a mission statement, a discussion of the agencies goals, and builds public support.
 - Policy Document
 - Clear statement of the general policies of the agency.
 - Operations Guide
 - General discussion of the duties and services of the agency.
 - May include performance measures.



Budget Presentation

- Control the message
 - Spoken
 - Clearly and briefly state your goals.
 - Have at least three major points.
 - Supporting statements for each major point.
 - Written
 - More elaborate than spoken statement.
 - Emphasize goals and major points.
 - Provide supporting data.
 - Provide as a press release.



Budget Presentation

City of
Dayton, Ohio



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2013 Performance Objectives



- ☐ Install 25 next generation mobile data computers (MDC) in cruisers (Phase 1)
- ☐ 10% reduction in auto accidents in public safety photo enforcement locations
- ☐ Maintain 10% proactive policing time to reduce crime and disorder
- ☐ 25% reduction in gun-related Part 1 Violent crimes involving CIRGV members
- ☐ Complete JusticeWeb/EIS county-wide data sharing initiative
- ☐ Reduce bar/rental hall related felonious assaults by 33%



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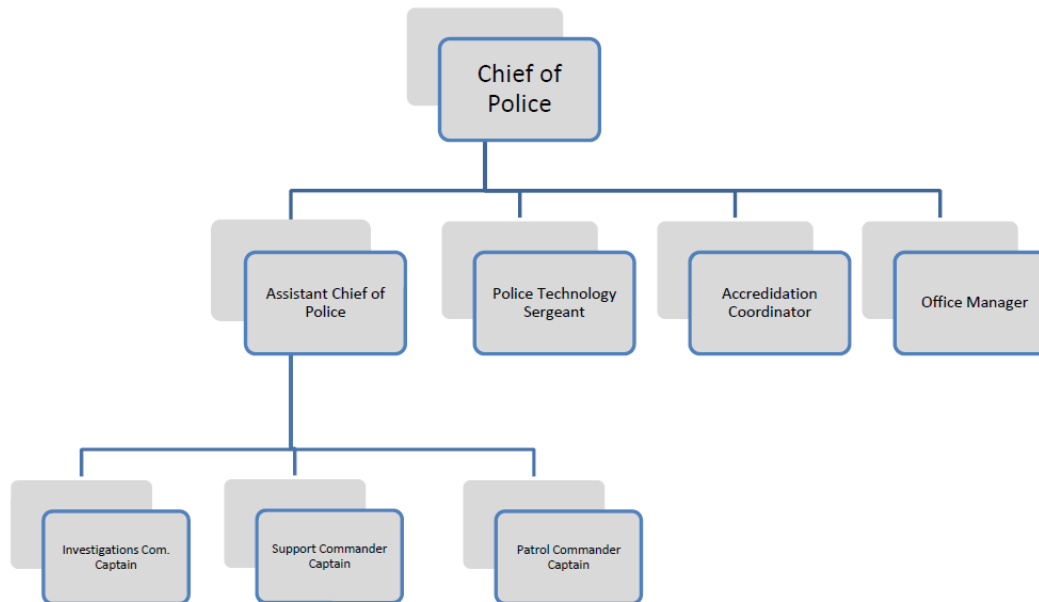
Budget Presentation

- Describe your department.
 - Mission
 - Jurisdiction
 - Services and/or functions
 - Major activities
 - Major changes
 - Performance of your department.
 - Performance measures



Budget Presentation

Police Department - Organizational Chart





Budget Presentation

Police Department

With nearly 100 sworn officers, the Fishers Police Department is dedicated to the safety of the community. The department is made up of three policing divisions: Investigations, Support Command, and Patrol. These divisions work together to ensure the safety of Fishers residents. All divisions are based out of the department headquarters located in the Municipal Complex.



Investigations: The mission of the Investigations Division is to provide to the community the protection of uncovering crimes before they are committed and to bring to justice those criminal who choose to commit crimes within our community.

Patrol: The Patrol Division operates 24 hours a day with dispatching services being provided by the Hamilton County Communications Center. Patrol officers respond to a variety of service related calls, such as traffic accidents, ordinance violations, or other calls for assistance. However, the division primarily concentrates on responding to crimes against persons and property and, where feasible, preventing such occurrence with a highly visible presence and proactive community enforcement measures.

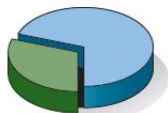
Support: The Support Division is responsible for handling the day-to-day operations of the department. The division focuses on interacting with other town staff and dealing with policy, budgetary, personnel, fleet, and technology issues.



Budget Presentation

Public Safety

The Public Safety Program
Represents 34.1% of the Total Budget.



The Public Safety program budget includes
the Police Department, Fire Department
and Emergency Management.

POLICE

Program Goal

The Police Department provides the community with a law enforcement system that integrates and uses all departmental, civic and community resources for police services and protection of the lives and property of our residents.

Budget Allowance Explanation

The Police Department 2013-14 operating budget allowance of \$585,913,000 is \$19,772,000 or 3.5 percent more than 2012-13 estimated expenditures and reflects increased Court Awards funding, the replacement of the Nice Communications

Police Major Performance Measures and Service Trends

The following significant performance measures and service trends will be achieved with the 2013-14 budget allowance:

	2011-12	2012-13 ^a	2013-14
Average Response Time (Minutes)^a			
Priority 1 - Emergency	N/A	N/A	N/A
Priority 2 - Non-Emergency	N/A	N/A	N/A
Priority 3 - All Others	N/A	N/A	N/A
Telephone Callbacks ^a	N/A	N/A	N/A
Percentage of phone calls to 9-1-1 and Crime Stop answered within 10 seconds			
	94%	94%	94%
Cases accepted by the county attorney for issuance of complaint			
	25,484	21,000	21,000
Moving violation citations issued			
	217,144	180,000	172,000
Traffic accidents			
	22,234	22,000	22,000
Percentage of cases cleared:			
Murder	84%	76%	76%
Rape	27%	36%	25%
Bobbery	24%	24%	23%
Aggravated Assault	44%	43%	44%
Burglary	5%	6%	5%
Theft	21%	22%	22%
Auto Theft	6%	6%	6%
Arson	10%	14%	14%

^aBased on 10 months actual experience.

^bDue to changes with the new CAD system implemented March 2010, call response time data has demonstrated inconsistencies that are currently being resolved.

The number of calls and response times for incidents handled by callback are impacted by the working hours and vacancy levels of this unit. The department began transitioning away from using Callback officers and instead to using an online reporting system on Jan. 16, 2012.



Budget Presentation

- Financials
 - Provide multi-year annual expenses.
 - Level of detail is up to you, fiscal officer or possibly even local tradition.
 - Verify accuracy of the financials.
 - Fiscal body may request additional details or more information.
 - It's within their authority and,
 - responsibility since they levy the taxes.



Budget Presentation

City of
Dayton, Ohio



General Fund Expenditures Overview



Personnel (both Sworn and Civilian)	2012	2013	% Chg
Wages	21,076,600	22,421,700	6%
Overtime ^(a)	1,744,400	1,949,800	12%
Other Personnel Costs ^(b)	14,495,300	15,273,400	5%
Subtotal Personnel	37,316,300	39,644,900	6%
Contracts & Materials			
Management Contracts (RDC)	2,723,100	3,488,500	28%
Gasoline and Diesel Fuel	960,000	990,500	3%
Fleet Charges	725,000	735,000	1%
Public Service Contracts (MVRCL)	408,000	416,200	2%
Other C&M ^(c)	1,836,600	1,644,500	-10%
Subtotal C&M	6,652,700	7,274,700	9%
Capital Equipment ^(d)	845,600	870,000	3%
Debt Service & Transfers	900	0	-100%
Grand Total	44,815,500	47,789,600	7%

(a) Safety Overtime, Court Overtime, Special Project OT, and Civilian OT

(b) Workers Compensation, Unemployment, Employee Termination, FICA, Longevity, Insurances, Insurance Waivers, Car Allowance, Cell Phone, Executive Benefits, and others not previously included

(c) All C&M accounts not included in four previous lines

(d) Does not include \$323,000 for MDC replacement in 2013 (Phase 1 – 25 units)

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Budget Presentation

Samples

- Tempe, AZ
<http://www.tempe.gov/index.aspx?page=214>
- Phoenix, AZ
http://phoenix.gov/webcms/groups/internet/@internet/@dept/@budget/documents/web_content/35summary2013.pdf
- Dayton
[http://www.cityofdayton.org/departments/omb/Documents/2013%20Budget%20Presentation%20\(RYS,%20CS,%20DPD\).pdf](http://www.cityofdayton.org/departments/omb/Documents/2013%20Budget%20Presentation%20(RYS,%20CS,%20DPD).pdf)



Role of the DLGF

- DLGF certifies budgets by issuing a budget order that includes budgets by unit, fund, approved property tax rates, and levies.
 - DLGF determines amount of property taxes a unit may receive.
 - Certifies the property tax rates that may be charged.
- DLGF approves additional appropriations for funds that are property or income, or MVH tax supported.
- DLGF enforces the maximum property tax levy controls.
- DLGF authorizes creation of certain funds.



2014-2015 Budget Issues

- Circuit breakers are 1%, 2%, and 3%. (Impact varies considerably.)
- Real estate values will impact property taxes and collections. (Values are slowly recovering.)
- Referendums are in addition to circuit breakers.
- Income tax distributions to units in 2015 are projected to continue to rise but more slowly.
- Excise taxes are rising with increased auto sales.
- Overall, revenues are slowly recovering.



2014-2015 Budget Issues

- County councils or income tax councils now have until November 30 to adopt a new local option income tax (LOIT).
- A public safety LOIT may be adopted in combination with either a property tax levy freeze LOIT (IC 6-3.5-1.1-24) or a property tax relief LOIT (IC 6-3.5-1.1-26).
- A public safety LOIT is distributed only to cities, towns, the county, and fire departments.
- Maximum public safety LOIT rate is 0.25%.



Contracts

- Contracts may be a large financial long-term commitment.
 - FOP Contract
 - Leases
 - Service Contracts
 - Handicapped Parking Enforcement
 - Parking Tickets
 - Towing Vehicles
 - Intergovernmental agreements

All contracts need to be appropriated



Reimbursements

- Maximize any federal and state reimbursements available.
 - Requires keeping excellent records.
 - Keep record of all costs when dealing with disasters (tornados, floods, blizzards).
 - Remember you can be reimbursed for more than just overtime expense.
 - Ex: Damaged equipment, communications towers, additional fringe benefit costs.



Challenges

- Managing your budget with increasing costs.
- Uncertainty of the cost of health insurance and other benefits.
- Property tax levies are “controlled” (i.e. limited).
- Reduced funding due to potential Circuit Breaker credits.
- Financing rural and suburban public safety needs with a growing population and controlled property tax levies.



Roll of Other Officials in Budget Process

- Clerk treasurer or controller prepares
- Unit executive (mayor or manager) proposes
- City or town council approves
- County council reviews budget of all units in county
- County auditor prepares county budget, certifies AV, and distributes taxes to all units
- County treasurer bills and collects taxes
- DLGF certifies budgets, rates, and levies
- State Board of Accounts audits the unit



Summary

- Terms: Budget, AV's, Tax Rates, Levies
- Budgets are “legal” controls
- Property taxes are “controlled”
- Funds and fund structure
- Budget structure & process
- Budget amendments
- Circuit breakers
- How to begin and effectively present budget



For More Information

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News releases from the DLGF

- www.in.gov/dlgf

Contact the DLGF

- (317) 232-3777
- <http://www.in.gov/dlgf/2338.htm>